Stackpole
LIMITED

INNOVATION
innovation

ANNUAL REPORT
1999

Stackpole
LIMITED

Stackpole Limited is one of the world's leading manufacturers of highly engineered, technologically differentiated, automotive powertrain systems and components.

Stackpole has more than 1,500 highly skilled employees at five operating plants in Canada and the United Kingdom. Stackpole is a public company and its common shares are listed and traded on The Toronto Stock Exchange under the symbol SKD.

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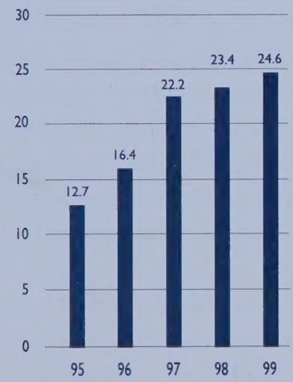
(In thousands of dollars, except per share amounts)

INCOME	1999	% change	1998
Sales	$ 232,943	27.4	$ 182,891
Income before Interest, Taxes, Restructuring and Other Charges	11,567	27.4	9,082
Net (Loss) Income	(5,687)	(261.2)	3,528
Per Common Share	(0.59)	(259.5)	0.37
Cash Provided by Operating Activities	24,615	5.1	23,421
Capital Expenditures	34,670	(12.6)	39,670

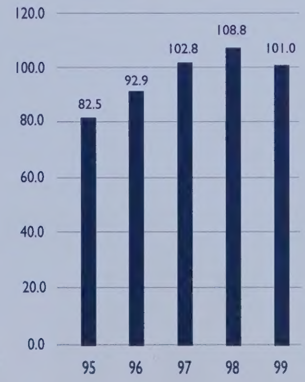
FINANCIAL POSITION			
Total Assets	$ 223,864	6.3	$210,530
Total Debt	79,408	34.9	58,853
Shareholders' Equity	101,040	(7.1)	108,774
Debt (net of Cash) to Total Capitalization	38.7%		33.2%

Cash Flow from Operating Activities (millions of dollars)



Total Assets (millions of dollars)

Shareholders' Equity (millions of dollars)



REPORT TO SHAREHOLDERS

"This Annual Report is the first issued since the appointment of Rob Lander as our new Chief Executive Officer. Rob has assembled a new management team that has dealt with our key issues and set a direction for the future of your Company. We hope our enthusiasm for that future is evident in the report that follows."

Sam Parkhill
Chairman of the Board

Stackpole Limited began 1999 facing significant challenges in operations and financial performance. During the year, management made decisive and tangible changes to address the operational and organizational deficiencies that were at the root of the Company's problems and by year-end meaningful and sustainable progress had been achieved. The Company entered 2000 with notably improved operational performance, a stronger organization and a clear strategy to deliver the results expected by our shareholders, customers and employees.

Failure in 1998 and 1999 to achieve the operational objectives set by the Company and the financial expectations of our shareholders can be principally attributed to the introduction of high strength powder metal products at the Company's Automotive Gear Division (AGD). Organizational shortcomings hindered management's ability to quickly address manufacturing limitations and achieve acceptable overall financial performance. These two issues were management's principal focus in 1999 and the deficiencies that existed have now been largely addressed.

The advancement of Stackpole's technology remains a key focus for the Company and noteworthy progress was made on several important initiatives. Stackpole continued to build a leadership position in all of its core product offerings, and several important new contracts were received. The accomplishments of 1999 are indicative of the exciting growth prospects for the Company.

Consolidated Financial Performance

While Stackpole's 1999 earnings were disappointing, sales growth relative to 1998 was significant and operating results on a quarterly basis evidenced a steady trend of progressive improvement.

Sales increased by 27% to $233 million from $183 million in 1998. Net income before a special non-recurring charge for restructuring and other charges was $3.7 million or $0.39 per share, virtually unchanged from the prior year. However, after a net loss of $0.08 per share in the first quarter of 1999, Stackpole improved its results for the last three quarters of the year and in the fourth quarter achieved a $0.23 per share net income before the restructuring charge. Of equal significance was the strong cash flow from operations of $37.7 million generated in the last nine months of 1999, which was sufficient to not only cover capital expenditures but also reduce debt and lower the Company's debt to capitalization ratio.

Pioneering High Strength Powder Metal Products

High strength powder metal (PM) applications such as transmission drive sprockets have become a major part of Stackpole's business. Proprietary technology, pioneered by Stackpole, is used to produce these highly stressed precision products and we believe that Stackpole is currently the only PM company worldwide with the capability to produce such high strength products. These products are very demanding in terms of quality specifications, process capability and manufacturing systems and the Automotive Gear Division has undergone a significant learning curve to introduce these products and ramp up to the high volume levels experienced in 1998 and 1999. This issue became critical in the second half of 1998 and was the principal factor leading to Stackpole's net loss of $801,000 in the first quarter of 1999.

During 1999 AGD was separated into Forming and Finishing Plants, each with its own management team. This streamlined management of the operation and provided focus on core processes and improvement initiatives. In addition several key management positions were filled which brought considerable automotive, manufacturing and process expertise to the Division.

By improving equipment uptime and production rates, sprocket capacity was increased by 40%, premium delivery costs were substantially reduced and AGD achieved modest profitability in the fourth quarter.

In 2000, AGD will implement a production and quality operating system based on "lean manufacturing" principles and focus on process engineering initiatives aimed at reducing scrap and variability of manufacturing operations. Specific initiatives include the implementation of work cell organization, visual shop floor performance measurement, standardized machine setup and improved inventory control.

The use of high strength powder metal for highly loaded automotive powertrain applications has been a decade-long pursuit of the Company and has been at the core of the Company's technology development strategy. The combination of manufacturing capability that is not easily replicated, proprietary process technology and a large target market has the potential to provide considerable opportunity for the Company and value for our customers and shareholders.

Building Organizational Strength

During 1999 several changes were made to the Company's organization structure and focus in order to respond to the immediate operational needs and to build organizational strength for the future. In particular, key management and technical resources from corporate departments were deployed to the operating divisions where they had an immediate and tangible impact on critical operational and technical priorities. These changes will support the Company's objective of increasing the speed and effectiveness with which new product and process innovations are developed and commercialized.

Several senior management positions were filled and emphasis was placed on developing a corporate culture that is operation focused, agile and results oriented. In order to focus resources in areas of demonstrated competence, the Company exited non-core activities pertaining to the design, construction and rebuilding of production equipment. In addition to improving organization effectiveness, the changes undertaken will also serve to reduce the overall management and administrative costs in the Company.

Technology Leadership

Stackpole continues to be a leader in the development of innovative breakthrough technology in the powder metal industry. For the second consecutive year Stackpole was the recipient of the Metal Powder Industries Federation's (MPIF) Grand Prize for product innovation: in 1998 for the Gemini transmission sprockets, and in 1999 for the helical gears which Stackpole AGD supplies to DaimlerChrysler for engine balancer systems.

The Company' s numerous patents provide for unique product design enhancements, performance advantages and cost benefits. Technology projects currently underway include the development of high strength transmission gears for PSA Peugeot Citroen and two other OEMs in North America. In testing by our Customer, Stackpole's prototype manual transmission gears have matched steel gear performance, reinforcing our conviction that high strength PM gears offer tremendous potential.

The ongoing development of product and process innovation will be a vital cornerstone of Stackpole's technology and growth strategy and enable Stackpole to maintain its leadership in the global automotive market. The organization changes and operational focus implemented in 1999 will ensure that technology development is effectively supported by our ability to rapidly launch and profitably commercialize new product applications.

Progress in Core Product Offerings

In addition to high strength PM components such as sprockets and gears, Stackpole has established a leadership position in three other core products, namely: planetary gear carriers, oil pump products and synchronizer products. In 1999 there were notable accomplishments in each of these core products.

At the Company's Stratford facility, a major plant expansion and launch of a four-wheel drive carrier application was successfully completed during the first half of the year. With this program, we believe that the Stratford operation has established itself as a low-cost high-quality producer of carrier products and we continue to secure important new contracts.

At the Engineered Products and Pump Component facilities, higher production volumes were realized on new oil pump programs and several new contracts were received in 1999. Our ' full service supplier' capability in oil pump systems is reflected in innovative proprietary pump designs, complete testing capability and robust manufacturing systems.

FormFlo, the Company's subsidiary in the United Kingdom, completed the ramp up of our largest ever synchronizer sleeve program and continued to build the foundation for significant global growth in synchronizer sleeves. In addition, FormFlo's proprietary gear rolling technology was a key component of Stackpole's high strength gear development activities.

Positioned for Growth

The Company is increasingly optimistic about the opportunities for future growth. In 2000, we will continue to develop differentiating technology, advance our manufacturing capability and build organization strength in advance of anticipated growth. Stackpole's prospects for growth are supported by the following trends that are currently driving the global automotive powertrain industry.

Outsourcing

Stackpole is targeting products that are still largely produced in-house by the OEMs but have been identified by the OEMs as strong candidates for outsourcing.

Modularization

Stackpole's leadership in components provides the core competency to pursue a "system" approach to oil pumps, carriers and synchronizers.

Cost Reduction

The competitiveness of the global auto industry is driving OEMs to pursue low cost solutions. Stackpole's net shape and high strength PM products can provide significant savings versus alternate materials and processes.

Technology

Technology has become a key driver in supplier selection and Stackpole is recognized by our customers for innovative product & process solutions.

REPORT TO SHAREHOLDERS

Supply Base Consolidation

As one of the largest PM producers in North America, Stackpole expects to benefit as OEMs focus on full service suppliers.

Component Consolidation

Powder metal provides the unique capability to consolidate mating components which enables OEMs to reduce transmission size and cost. Stackpole's high strength PM capability opens the door to many new possibilities.

Globalization

As powertrain programs become global, Stackpole will leverage its technology leadership and FormFlo's presence in the U.K. to pursue growth in Europe.

Stackpole's sales from core products have grown at a rate of 25% per year and represent a potential market that is estimated to exceed $2 billion per year. We believe that Stackpole has 50% market share in core products and we consider the market to be just 10% penetrated, with the balance being produced in-house by the OEMs or by alternative materials. Manual transmission gears, modular system capability and increased presence in Europe have the potential to expand Stackpole' s target market to over $5 billion per year.

We note with regret that Ralph Karthein, who has been a member of our Board since 1995, has indicated that he wishes to resign from the Board. We are grateful for his service as a Board member and as Chairman of the Audit Committee for the past five years. Ralph has agreed to remain on the Board until his successor is named.

In conclusion, we fully acknowledge that 1999 has been a disappointing year for our employees and shareholders. However, we can state with confidence that Stackpole is today a much stronger Company with a heightened operational capability, a new focused organization structure, industry-leading technology and tremendous prospects for future growth. We are confident that these improvements will create exceptional opportunities for our employees, value for our customers and returns for our shareholders. We acknowledge the efforts of our employees and the support of our customers and shareholders, and are committed to delivering on our goal to be recognized by our stakeholders as the best supplier, the best employer and the best shareholder investment.

J. Samuel Parkhill
Chairman

Robert J. Lander
President and Chief Executive Officer
March 7, 2000

Gears and High Strength Components

Description:

At Stackpole's Automotive Gear Division, high strength powder metal components such as transmission drive sprockets, balancer gears and clutch plates are produced utilizing patented powder metal alloys and processes. Proprietary capability enables Stackpole to provide Customers with products that have improved durability, design advantages and steel equivalent performance while maintaining PM's low cost advantage.

Customers:

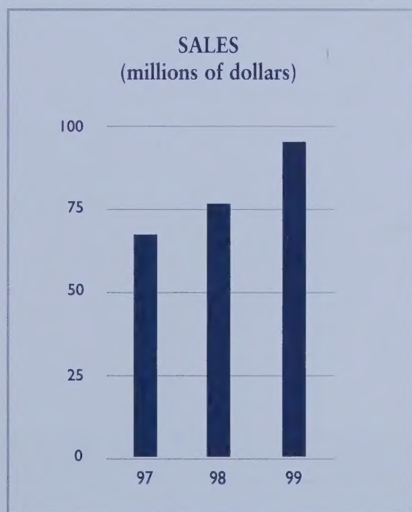
General Motors, Ford, DaimlerChrysler, PSA Peugeot Citroen, New Venture Gear, Borg Warner

Differentiating Technology:

- Patented powder metal alloys are formulated specific for the application, blended in-house and sintered in special high temperature furnaces to provide higher strength without premium cost.
- Patented Split-Die Forming enables complex part geometry such as phased gears, which provides design flexibility and added performance features.
- Patented PressDens™ Forming increases core density for improved durability and fatigue strength.
- Patented SelectDens™ selective densification process enables Stackpole to achieve steel equivalent properties for highly-loaded gear and bearing journal applications.
- Complete heat treatment and precision finishing capability including the world's largest installation of vacuum carburizing furnaces.

Market Highlights:

- Awarded MPIF Grand Prize for engine balancer gear (helical).
- In A-B comparison testing completed by the customer, Stackpole's manual transmission gears matched steel performance.
- Development programs include two transmission gear programs for North American customers, and a first-of-its-kind engine timing pulley made possible by Stackpole's split-die technology.
- Market potential of target products is estimated to exceed $1.3 billion per year.



PROFILE OF PRODUCTS

Oil Pump Systems & Components

Description:

Stackpole's Engineered Products and Pump Components Divisions team up to provide "full service" design, development and manufacturing of oil pump systems and components for transmission and engine applications.

Customers:

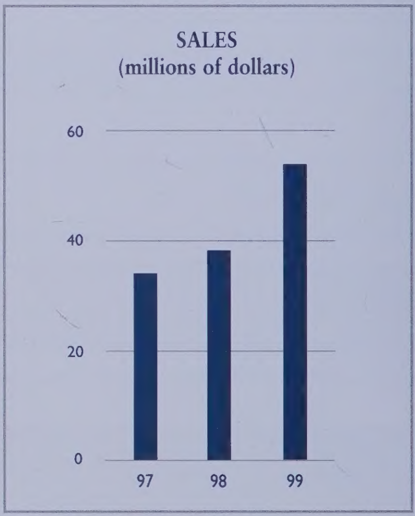
General Motors, DaimlerChrysler

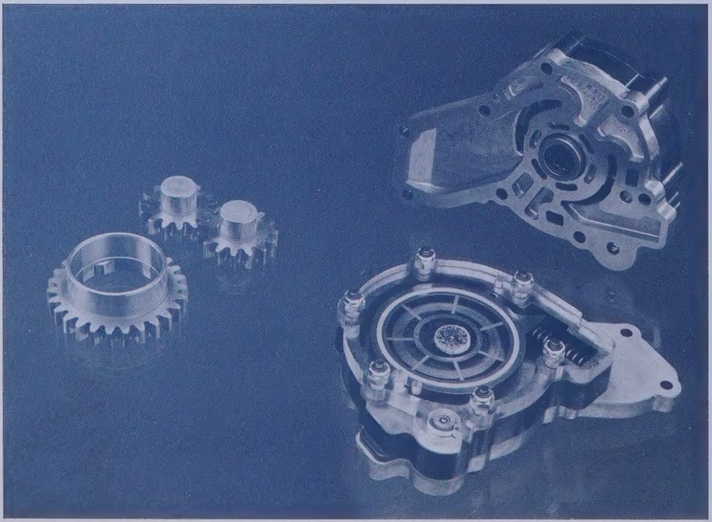
Differentiating Technology:

- Recognized market and technology leadership stems from complete design, development, testing and manufacturing capability that includes CAD design, acoustic and flow performance testing, emphasis on Design For Manufacturability and proven manufacturing processes.
- Pump designs leverage core powder metal capability while designing for the optimum materials and processes.
- Proprietary pump designs and manufacturing technology enhance oil flow management to improve fuel efficiency and reduce engine and transmission noise critical in today's high performance powertrains.
- Innovations include multi-stage gerotor pump, energy saving variable displacement vane pump, dual-cycloidal flow management, constant acceleration porting and compact low-noise CVT pump.

Market Highlights:

- Awarded three new oil pump system contracts in 1999 with revenues exceeding $27 million per year at full production.
- Designed and successfully prototyped an innovative new oil pump for a global Continuously Variable Transmission (CVT) program.
- Market potential for oil pump systems in North America exceeds $700 million per year.
- Consistent growth anticipated as OEMs continue to outsource oil pumps to reduce cost and obtain new technology.





Planetary Gear Carrier Systems

Description:

Stackpole's Stratford Powder Metal Products Division currently produces over 22,000 planetary gear carriers per day for automatic transmissions and four-wheel drive transfer case applications.

Customers:

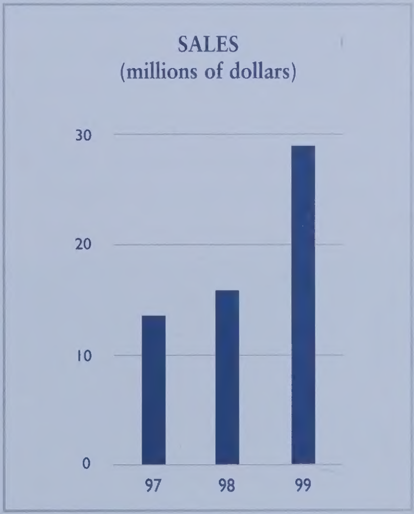
General Motors, New Venture Gear

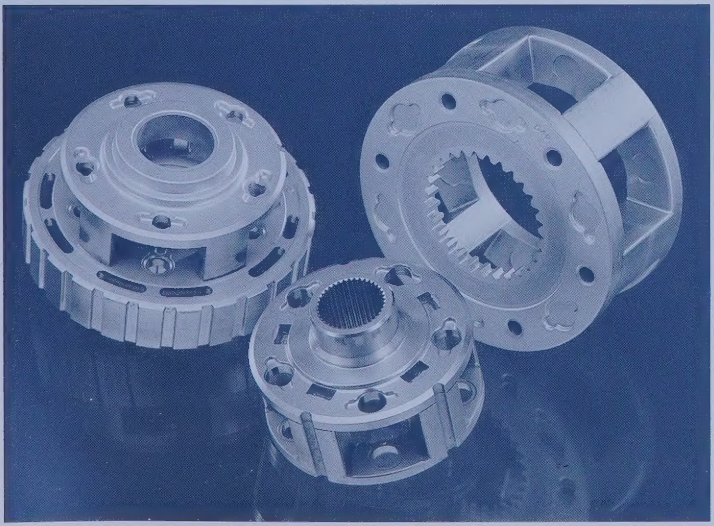
Differentiating Technology:

- Compared to conventional cast carriers, Stackpole's powder metal carriers improve strength, eliminate costly machining operations and reduce weight.
- With state-of-the-art synchronous flow manufacturing, Stratford is a low-cost high-quality producer of carriers.
- Stratford has full service supplier capability with design, development and manufacturing that includes machining and assembly.
- Stratford's Sinter Braze process provides improved high torque durability and increased pinion gear life which support longer powertrain life at lower cost.

Market Highlights:

- Successfully launched our largest ever carrier program.
- Awarded new carrier production program, and currently developing and prototyping programs for North America and Europe with significant future volume potential.
- The vast majority of carrier systems are currently produced by the OEMs in-house from castings. Powder metal's ability to outperform casting and facilitate part consolidation will lead to continued outsourcing by the OEMs and significant growth potential for Stratford.
- Market potential for PM carrier components in North America is estimated to exceed $300 million per year. This will increase with the trend to six-speed automatic transmissions. The market for planetary gear systems is potentially $1 billion annually.





PROFILE OF PRODUCTS

Synchronizer Systems

Description:

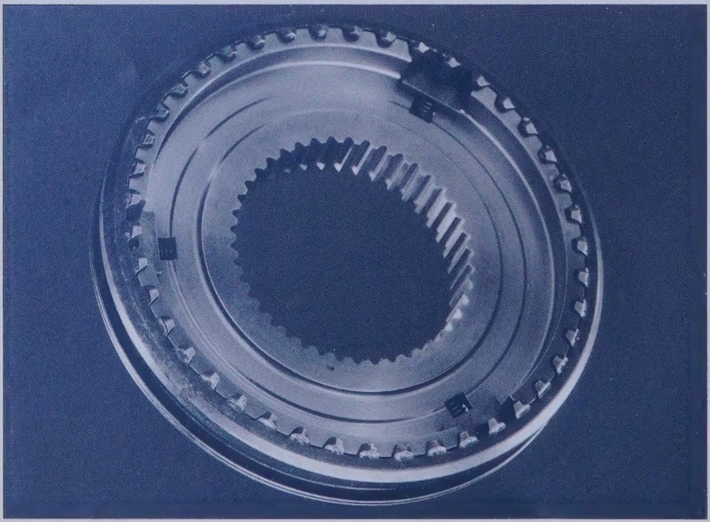
By combining Stackpole's advanced powder metal technology for synchronizer hubs and FormFlo Limited's proprietary cold rolling process for synchronizer sleeves, we have established a full service capability for synchronizer components and complete assemblies used in the shifting of manual transmissions. FormFlo, Stackpole's U.K. subsidiary, is the largest non-captive producer of synchronizer sleeves while AGD has the leading market share of synchronizer assemblies in North America.

Customers:

New Venture Gear, ZF, DaimlerChrysler, Getrag, Iveco

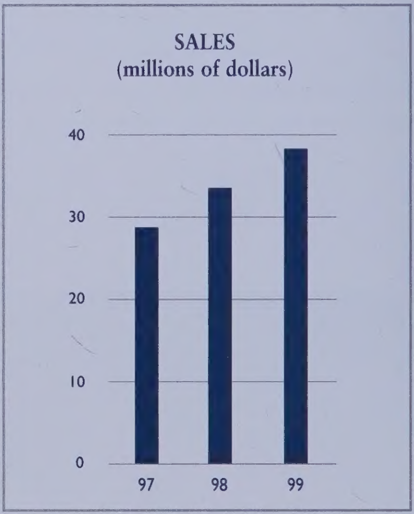
Differentiating Technology:

- Design, testing, component manufacturing and automated assembly capability for synchronizer sleeves, hubs, cones and rings.
- FormFlo's proprietary advanced cold rolling offers higher dimensional accuracy and superior surface finish which provides smoother shifting and less shifter fork wear. Lower cost is possible by eliminating machining, reducing material waste and rapid processing.
- Stackpole's proprietary metal alloys provide a high strength low-cost solution ideal for powder metal synchronizer hubs.



Market Highlights:

- Achieved record sleeve volume with the ramp up of our largest ever sleeve program; supplying over 1.5 million sleeves in 1999 for this program.
- Working with customers on a number of new synchronizer sleeve programs including two high volume new OEM transmissions, as OEMs increasingly choose to outsource synchronizer components and complete assemblies.
- The market for synchronizer sleeves is approximately $500 million per year and the system potential could reach $1 billion.



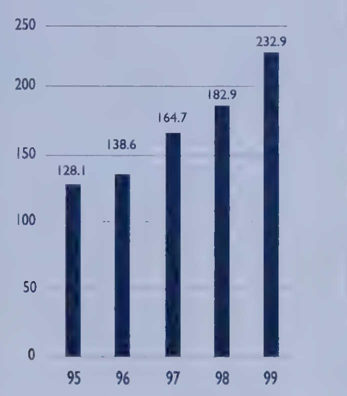
Results of Operations

Sales

Stackpole's sales in 1999 increased $50,052,000 to $232,943,000, a 27% increase from the $182,891,000 sales in 1998. In addition to higher industry volumes, there were three primary factors leading to the sales increase. First, carrier sales increased by approximately $13 million primarily as a result of the mid-year introduction of the new line at the expanded Stratford location. Second, the completion of the production volume ramp up of the 4T40 and 4T65 General Motors transmissions for front wheel drive cars that contain a number of our parts including single and phased-tooth sprockets, transmission oil pumps and clutch plates, increased sales by approximately $22 million. Third, the on-going ramp up of various DaimlerChrysler oil pump and oil pump component programs increased sales by $9.0 million. Finally, it should be noted that 1998 sales were reduced by approximately $10 million as a result of the General Motors strike in the second and third quarters of that year.

In 1999, 79% of the Company's sales from its Canadian operations representing $169,098,000 were exported to the United States, compared to 75% or $125,304,000 in 1998. Approximately three-quarters of these sales were denominated in U.S. dollars. Stackpole manages its U.S. currency exposure largely through a structured hedging program and through the purchase of some materials and capital equipment denominated in U.S. dollars. This percentage of U.S. denominated sales is expected to decline in the year 2000 as certain product sales are changed to Canadian dollars. The Company's hedging program can extend up to five calendar years with decreasing maximum net exposure in future years. At December 31, 1999, the Company had in place forward foreign exchange contracts to sell U.S. $95,000,000 through 2003.

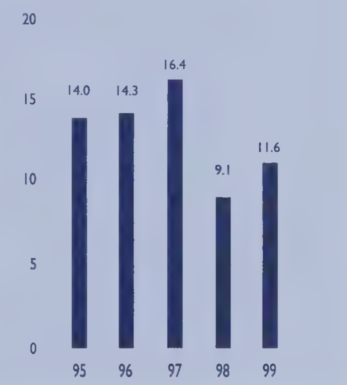
SALES
(millions of dollars)



Income Before Interest, Taxes, Restructuring and Other Charges

In 1999, income before interest, taxes, restructuring and other charges rose $2,485,000 to $11,567,000, a 27% increase compared to $9,082,000 in 1998. The increase was primarily the result of the higher sales associated with the mid-year launch of the new carrier line at the expanded Stratford facility, and the increased volume in the oil pumps and pump components shipped from the Engineered Products Division. The contribution from higher production revenue was partly offset by a decline in margin experienced by FormFlo, which was caused principally by higher than expected costs associated with the launch and ramp up of new programs.

Income before Interest, Taxes, Restructuring and Other Charges
(millions of dollars)



At the Automotive Gear Division, the first three quarters of 1999 produced a continuation of the losses that started in the second half of 1998, associated with premium production costs including unplanned freight, scrap and excessive labour costs. By the fourth quarter of 1999, the ramp up on production of the General Motors 4T40 and 4T65 transmission products was complete and with improved capacity and production efficiency, the Division was able to gradually reduce the premium costs, achieve a steady improvement in operational performance and return to profitability.

The Company maintains its strong commitment to research and development as a means of competing through differentiated products and proprietary processes. In 1999, gross expenditures amounted to $8,224,000 compared to $7,432,000 in 1998 representing a rate of 3.5% of sales, a decline from the 4.1% in 1998. Net research and development expenditures of $6,540,000 in 1999 and $5,852,000 in 1998 are shown net of government grants of $1,684,000 and $1,580,000 respectively. The principal component of the government grants are investment tax credits and while the Company claims tax credits based on management's interpretation of the applicable legislation, these claims are subject to audit by federal and provincial jurisdictions. The Company has also entered into a partnership agreement with the Government of Canada that will see the Company receive up to $1 million over five years to help fund specific research and development. If the technology developed from the research

is commercially successful, the Government will receive a 2% royalty on gross sales, to a maximum of the amount advanced. At December 31, 1999, the Company has claimed $865,000 under this program. Any future royalties payable will be accounted for as an expense against the related sales in the period in which they occur.

Interest Expense

The Company's interest expense increased in 1999 to $5,443,000 compared to $3,564,000 in 1998. The increase was due to the higher levels of borrowing and increased interest rates. The rate increases resulted from both market rate increases and from the increased interest rate spread attached to the new Canadian credit facilities put in place in July 1999.

Restructuring and Other Charges

During the year ended December 31, 1999, the Company recorded a $11,730,000 charge which is reflected in the statement of operations as "Restructuring and Other Charges". These restructuring charges include a $4,996,000 provision for the loss on notes receivable. In June 1997, the Company sold the net assets of its Stackpole Ltd. (U.S.A.) subsidiary for cash, assumption of liabilities, and notes receivable in the amount of U.S. $3.9 million. In light of the current financial performance of the purchaser, management has determined that repayment of the notes receivable is unlikely.

The restructuring charges also include a $5,100,000 writedown of capital assets associated with the Company's Corporate departments and Automotive Gear Division to reflect impairment in value and a $1,634,000 provision for severance costs relating to personnel reductions connected with planned operational improvements and the reorganization of the Corporate departments.

The effect of this charge was a $0.98 per share reduction in 1999 fourth quarter earnings per share from earnings of $0.39 for the year and $0.23 for the fourth quarter, to a loss per share of $0.59 and $0.75 respectively.

Net Loss

The net loss of $5,687,000 in 1999 compares to net income of $3,528,000 in 1998. This reflects the impact of the restructuring charge together with higher interest costs. In addition, the financial statements include a tax provision for 1999 despite the loss before income taxes, as a result of two factors. First, the Company did not recognize the tax benefit of the potential capital loss associated with the writedown of the notes receivable. Second, the tax provision is impacted by the fixed nature of the Canadian federal large corporation tax that is determined by the Company's net capital position.

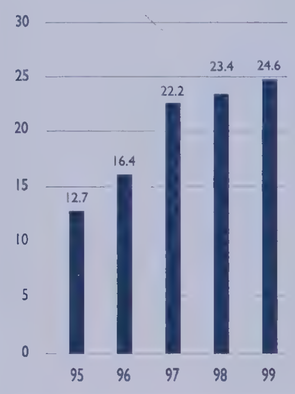
On a per share basis, the loss was $0.59 compared to earnings per share of $0.37 in 1998. The average number of shares outstanding increased in 1999 to 9,584,795 from 9,498,977 due to the exercise of stock options in 1999.

Liquidity and Financial Resources

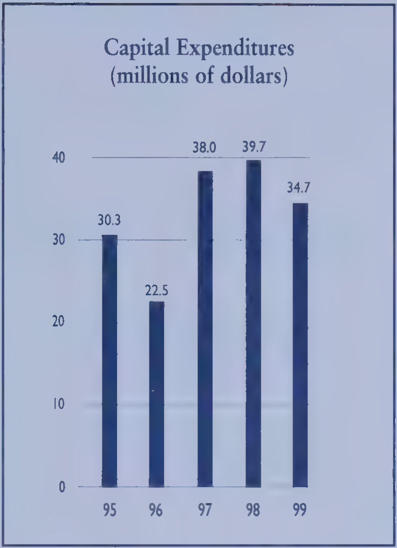
At December 31, 1999, the Company had cash on hand of $11,968,000 and had unused credit facilities of $20,897,000. In July 1999, the Company refinanced its Canadian-based long-term debt. The facility put in place and held by a group of three Canadian financial institutions consists of $65,000,000 of term debt and a revolving credit of $25,000,000. Of this term debt, $23,500,000 is fixed rate with $13,500,000 fixed through the use of interest rate swaps. The remaining $41,500,000 is at variable rates. The debt is priced on a grid that varies with the ratio of the Company's earnings before interest, taxes, depreciation and amortization, to total indebtedness. As part of the refinancing package, all the Company's long-term debt became secured by a debenture and a fixed and floating charge over all of the Company's assets. The Company's term debt is of a non-revolving nature. As a result, the Company chose to maintain a significant cash balance at year-end rather than permanently reducing the facility.

In 1999 Stackpole generated a record $24,615,000 in cash from operating activities, an increase of 5% from the prior year, due principally to lower net income being more than offset by the non-cash impact of the restructuring and other charges and higher depreciation and amortization.

Cash Flow from Operating Activities (millions of dollars)



Capital expenditures were $34,670,000 and included additional manufacturing equipment for the completion of the plant expansion at the Stratford facility, additional equipment for the growth in the Pump Components Division and additional capital to increase sprocket capacity at the Automotive Gear Division. These expenditures were principally financed by increased advances under the Company's credit facilities and from the cash generated by operating activities.



During the year the Company made the required repayment of U.S. $3,520,000 on its senior notes and will repay a further U.S. $3,520,000 in 2000. Of the new credit facility put in place in July 1999, $55,000,000 has repayments deferred until 2001 and the remaining $10,000,000 has repayments that start in August 2000, with $470,000 being payable in 2000.

Capital spending for new products and existing business is expected to approximate $25,000,000 in 2000. These expenditures relate primarily to additional capacity to produce oil pumps and pump components for DaimlerChrysler. This increased capacity is required to meet the continued production ramp up of existing programs as well as the initial capital for new products with start-up beyond 2000.

The Company expects to finance the capital spending program entirely from cash generated from operations and from existing lines of credit.

2000 Outlook

Stackpole's growth in 1999 was due to increased volumes of new products introduced by the Company in the period 1994 to 1999. These new products included the new carrier line in Stratford, the final ramp of the single and phased-tooth sprockets at Automotive Gear Division and the continuing increase of oil pump and pump component production for DaimlerChrysler at the Engineered Products and Pump Components Divisions. In 2000, the Company's growth will be at a reduced rate and come from the same principal sources as 1999. Higher production volumes on recently launched new products will be partially offset by the cessation in November 1999 of a General Motors clutch plate program that had an annual volume of approximately $10 million.

The Company's continued investment in advanced research and development in high-density powder metal technology, and oil pump systems is also expected to contribute to further applications in the future. In this regard, the Company is working on several development contracts including the PSA Peugeot Citroen development for highly loaded manual transmission gears. Although preliminary product design and testing results have been encouraging, there can be no certainty that this development program will lead to a production contract.

The North American automobile industry reached record volumes in 1999 and while projections are for similar volumes in 2000, any volume reductions due to economic factors would negatively impact Stackpole. In particular, the Company supplies a significant number of components for two front wheel drive transmissions for General Motors. Lower customer demand for these products would adversely impact operating results.

The Company has now reached the full production volumes on its sprocket programs and is now concentrating its efforts on increasing efficiencies and reducing costs in order to improve profitability. The restructuring and the realignment of Corporate resources are aimed at assisting this process. It is expected that the improved efficiencies will be a gradual process with the impact being seen over the course of 2000. Stackpole continues to face significant challenges and risks as it seeks to stabilize its operations and build a foundation for future growth. An increased focus on operational performance, coupled with a systematic strengthening of resources throughout the Company, will enable Stackpole to meet these challenges.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Stackpole Limited have been prepared by management who is responsible for their integrity and objectivity. The consolidated financial statements were prepared in accordance with generally accepted accounting principles, and, where appropriate, reflect estimates based upon judgments of management. All financial information presented elsewhere in the Annual Report has been prepared by management to ensure that it is consistent with that contained in the consolidated financial statements.

Stackpole Limited's policy is to maintain systems of accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is accurate, relevant and reliable and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors, through its Audit Committee, ensures that management fulfills its responsibilities for financial reporting and systems of internal control. The Audit Committee, which is comprised solely of outside directors, meets regularly with financial management and external auditors to review accounting, auditing and financial matters. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders.

The consolidated financial statements have been audited by Deloitte & Touche LLP, the independent auditors, in accordance with generally accepted auditing standards on behalf of the shareholders. The independent auditors have full and unrestricted access to the Audit Committee.

Gary S. Love
Vice President, Finance,
Chief Financial Officer,
Secretary and Treasurer

Jeremy C. Carvell
Corporate Controller

Oakville, Ontario
March 7, 2000

AUDITORS' REPORT

[illegible]

We have audited the consolidated balance sheets of Stackpole Limited as at December 31, 1999 and 1998 and the consolidated statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company' s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in Canada.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants

Toronto, Ontario
March 7, 2000

CONSOLIDATED BALANCE SHEETS

December 31, 1999 and 1998 (thousands of dollars)

	1999	1998
ASSETS		
CURRENT		
Cash and cash equivalents	$ 11,968	$ 845
Accounts receivable	29,639	28,039
Inventories	17,516	17,315
Other current assets	1,850	1,641
	60,973	47,840
PROPERTY, PLANT AND EQUIPMENT (Note 2)	158,976	149,985
NOTES RECEIVABLE (Note 3)	–	5,992
DEFERRED CHARGES (Note 4)	3,915	6,713
	$ 223,864	$ 210,530
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 37,410	$ 35,036
Current portion of long-term debt	5,552	5,387
	42,962	40,423
LONG-TERM DEBT (Note 5)	73,856	53,466
DEFERRED INCOME TAXES	6,006	7,867
	122,824	101,756
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	32,136	31,829
Retained earnings	66,918	72,605
Foreign currency translation adjustments	1,986	4,340
	101,040	108,774
	$ 223,864	$ 210,530

APPROVED BY THE BOARD:

R W Karthein

Ralph W. Karthein
Director

David G. Vice
Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

Years ended December 31, 1999 and 1998 (thousands of dollars, except per share amounts)

	1999	1998
Sales	$ 232,943	$ 182,891
Manufacturing, selling, general and administrative expenses	214,836	167,957
Restructuring and other charges (Note 7)	11,730	–
Research and development expenses, net (Note 1)	6,540	5,852
(Loss) income before interest and taxes	(163)	9,082
Interest expense on long-term debt	5,443	3,564
(Loss) income before income taxes	(5,606)	5,518
Income taxes (Note 8)	81	1,990
Net (loss) income	(5,687)	3,528
Retained earnings, beginning of year	72,605	69,077
Retained earnings, end of year	$ 66,918	$ 72,605
(Loss) earnings per share:		
Basic	$ (0.59)	$ 0.37
Fully diluted	$ (0.59)	$ 0.37
Average number of shares outstanding	9,584,795	9,498,977

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 1999 and 1998 (thousands of dollars)

	1999	1998
OPERATING ACTIVITIES		
Net (loss) income	$ (5,687)	$ 3,528
Non-cash items:		
Depreciation and amortization	21,759	17,245
Deferred income taxes	(1,861)	234
Write-down of assets and notes receivable (Note 7)	10,096	–
Other	(57)	748
Change in non-cash components of working capital	365	1,666
Cash provided by operating activities	24,615	23,421
FINANCING ACTIVITIES		
Proceeds from long-term debt	26,388	17,747
Repayments of long-term debt and notes payable	(5,163)	(2,473)
Issuance of common shares for cash	307	1,019
Cash provided by financing activities	21,532	16,293
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(34,670)	(39,670)
Proceeds from sale of machinery and equipment	399	9
Additions to deferred charges	(753)	(343)
Cash used in investing activities	(35,024)	(40,004)
Increase (decrease) in cash and cash equivalents	11,123	(290)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	845	1,135
CASH AND CASH EQUIVALENTS , END OF YEAR	$ 11,968	$ 845
Cash and cash equivalents is made up of:		
Cash	$ 1,027	$ 845
Short-term investments	10,941	–
	$ 11,968	$ 845
Supplementary Information:		
Income taxes paid	$ 760	$ 2,072
Interest paid	$ 5,600	$ 3,572

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999 and 1998 (columnar amounts in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

The consolidated financial statements include the assets, liabilities and operating results of all subsidiary companies from the dates of acquisition. All significant intercompany balances have been eliminated in consolidation.

USE OF ESTIMATES

The preparation of the Company's consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

INVENTORIES

Inventories are valued at the lower of average cost and net realizable value.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less any related investment tax credits. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is calculated principally on a straight-line basis with estimated useful lives for buildings of 40 years and for machinery and equipment from 3 to 10 years. For equipment purchased for major product introductions, the Company uses the units-of-production method of depreciation.

DEFERRED CHARGES

Deferred charges include certain development costs incurred on major new products which are deferred and amortized on a units-of-production basis beginning in the first year of commercial production. They also include debt issuance costs and unamortized exchange gains and losses on long-term debt denominated in foreign currency, which are amortized on a weighted average method over the terms of the related debt, and patents, which are amortized on a straight-line basis over a period of 10 years.

FOREIGN EXCHANGE

Assets and liabilities of foreign subsidiaries are translated using the exchange rate in effect at the year end and revenues and expenses are translated at the average rate during the year. Foreign currency translation adjustments are deferred and included as a separate component of shareholders' equity.

Foreign exchange gains and losses on transactions are reflected in income except for gains and losses on forward currency exchange contracts used to hedge future sales denominated in foreign currency. Gains or losses on these contracts are recorded in sales as the related hedged sales occur.

RESEARCH AND DEVELOPMENT

Research and development expenditures, which, except as discussed below, are expensed as incurred, are net of government grants and tax credits of $1,684,000 and $1,580,000 in 1999 and 1998, respectively. The Company claims tax credits based on management's interpretation of the applicable federal and provincial tax legislation. These claims are subject to review by the applicable tax authorities.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash balances and short-term investments in bankers acceptances and short-term commercial paper with maturities of ninety days or less. Short-term investments are carried at cost, which approximates market value.

STOCK-BASED COMPENSATION PLANS

The Company has two stock-based compensation plans, which are described in Note 9. No compensation expense is recognized for these plans when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

EARNINGS PER SHARE

The calculation of basic earnings per share is based on the weighted average number of shares outstanding during the year. Fully diluted earnings per share gives effect to the exercise of all potentially dilutive elements.

December 31, 1999 and 1998 (columnar amounts in thousands of dollars)

2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	1999		
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 2,408	$ –	$ 2,408
Buildings and improvements	16,893	4,309	12,584
Machinery and equipment	211,508	74,086	137,422
Construction in progress	6,562	–	6,562
	$ 237,371	$ 78,395	$ 158,976

	1998		
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 2,408	$ –	$ 2,408
Buildings and improvements	16,418	4,290	12,128
Machinery and equipment	165,727	54,847	110,880
Construction in progress	24,569	–	24,569
	$ 209,122	$ 59,137	$ 149,985

3. NOTES RECEIVABLE

Notes receivable consist of the following:

	1999	1998
Subordinated promissory notes, 9%, maturing June 30, 2005 repayable in 60 equal blended monthly payments of U.S.$79,000 commencing July 31, 2000 (U.S.$3,915,000) (see Note 7)	$ –	$ 5,992

4. DEFERRED CHARGES

Deferred charges consist of the following:

	1999	1998
Development costs	$ 7,756	$ 7,756
Plant redesign costs	2,160	2,160
Exchange loss on foreign currency debt	2,498	3,162
Debt issuance costs	808	255
Patents	1,311	1,111
	14,533	14,444
Accumulated amortization	10,618	7,731
	$ 3,915	$ 6,713

December 31, 1999 and 1998 (columnar amounts in thousands of dollars)

5. LONG-TERM DEBT

Long-term debt consists of the following:

	1999	1998
Senior notes, unsecured, 7.33%, maturing on April 30, 2001 (1999 - U.S.$7,040,000; 1998 - U.S.$10,560,000)	$ 10,164	$ 16,162
Variable interest term debt, repayable in installments, June 30, 2002 and 2003 - $13,703,000, June 30, 2004 - $27,408,000, established July 1999	54,814	–
Fixed interest term debt at 7.40%, due June 30, 2004 repayable in 47 blended monthly payments of $154,000 starting August 1, 2000 and a balloon payment of $5,000,000 on June 30, 2004, established July 1999	10,000	–
Installment loan, interest at 7.58%, fixed through interest rate swaps, maturing on July 22, 2003 repayable in two equal installments July 22, 2001 and 2003, refinanced July 1999	–	13,325
Revolving credit facility of $25,000,000 due June 30, 2001, established July 1999	4,430	–
Committed credit facility of U.S.$30,000,000, unsecured, interest at prime and bankers acceptance rate plus .75%, maturing on January 1, 2001, refinanced July 1999	–	29,366
	79,408	58,853
Amounts due within one year	5,552	5,387
	$ 73,856	$ 53,466

The variable interest term debt and the revolving credit facility have interest calculated on a grid scale based on the Company's performance. At December 31, 1999, the interest rate on the variable interest term debt was prime plus three-quarters of one per cent, and on the revolving credit facility was prime plus one-quarter of one per cent. At December 31, 1999, the interest on a portion of the Company's variable interest term debt had been fixed under interest rate swaps (Note 12).

When the variable interest term debt, fixed interest term debt and revolving credit facility were established in July 1999, all the long-term debt was secured by a debenture and by a fixed and floating charge on all of the Company's assets. In addition, the Company is required to maintain certain covenants.

The annual amounts of principal payments required to meet long-term debt obligations are as follows:

2000	$ 5,552
2001	10,687
2002	14,974
2003	15,070
2004	33,125
	$ 79,408

6. SHARE CAPITAL

Authorized share capital consists of an unlimited number of common shares and an unlimited number of First and Second Preference Shares, issuable in series. To date, the Company has not issued any preference shares.

A reconciliation of the issued common shares of the Company follows (dollars in thousands):

	1999		1998	
	Number of Shares	Stated Value	Number of Shares	Stated Value
Balance at beginning of year	9,563,451	$ 31,829	9,460,061	$ 30,810
Shares issued for cash from 1993 Stock Option Plan and Key Employee Share Trust (Note 9)	31,800	307	103,390	1,019
Balance at end of year	9,595,251	$ 32,136	9,563,451	$ 31,829

7. RESTRUCTURING AND OTHER CHARGES

	1999	1998
Provision for loss on notes receivable	$ 4,996	$ –
Write-down of assets to reflect impairment in value	5,100	–
Provision for severance costs	1,634	–
	$ 11,730	$ –

During the year ended December 31, 1999, the Company recorded a $11,730,000 charge against operations.

At December 31, 1999, following its review of the entity which issued the Notes Receivable (Note 3) upon the acquisition of the assets of the Company's former operations in Brownsville, Tennessee, management determined that recovery of the amounts outstanding was unlikely. Accordingly, the Company has provided $4,996,000 representing the balance outstanding of $5,652,000, less the associated amount of $656,000 relating to the currency translation account.

The Company recorded a $5,100,000 write down of capital assets, for which it has no planned future use, associated with the Corporate research and development and information systems departments and the Automotive Gear Division.

The charge also includes a $1,634,000 provision for severance relating to personnel reductions in the Company's operating divisions and Corporate departments. These reductions reflect planned improvements to the Company's operations as well as the reorganization of Corporate departments.

As at December 31, 1999, $1,588,000 relating to the provision for severance costs was unpaid and included in accounts payable and accrued liabilities.

8. INCOME TAXES

The provision for income taxes consists of the following:

	1999	1998
Current	$ 1,942	$ 1,756
Deferred	(1,861)	234
	$ 81	$ 1,990

The Company's effective income tax rates have been determined as follows:

	1999	1998
Canadian statutory income tax rate	(44.6)%	44.6%
Benefits of losses not recognized	39.8	–
Manufacturing and processing deduction	1.6	(7.5)
Large corporations tax	6.6	3.3
Other	(2.0)	(4.3)
	1.4%	36.1%

December 31, 1999 and 1998 (columnar amounts in thousands of dollars)

9. STOCK-BASED COMPENSATION PLANS

At December 31, 1999, the Company had two stock-based compensation plans, which are described below.

Fixed Stock Option Plan

Under the 1993 Stock Option Plan, the Company may grant options to its directors, officers and certain key employees of the Company and its affiliates for up to 1,393,869 shares of common stock. Under the plan the exercise price of each option equals the market price of the Company's stock on the date of grant. Options under the plan vest at 20% per annum, in arrears on a cumulative basis, and expire no later than ten years from the date the options are granted. Options are automatically cancelled, after a specified amount of time, when the optionee leaves the employment of the Company or ceases to qualify under the Option Plan. If the Company's parent, or its controlling shareholders, ceases to own at least 35% of the Company, all issued and outstanding options will become fully vested and immediately exercisable.

A summary of the Company's fixed stock option plan is as follows:

	1999	
Fixed Options	Shares	Weighted Average Exercise Price
Balance at beginning of year	751,141	11.91
Granted	265,000	12.14
Exercised	(31,800)	9.68
Terminated	(52,800)	13.35
Balance at end of year	931,541	$ 11.97
Options exercisable at end of year	418,541	$ 10.99

	1998	
Fixed Options	Shares	Weighted Average Exercise Price
Balance at beginning of year	876,131	13.53
Granted	325,000	14.76
Exercised	(103,390)	9.86
Terminated	(346,600)	19.28
Balance at end of year	751,141	$ 11.91
Options exercisable at end of year	363,741	$ 10.49

Options outstanding at December 31, 1999 consist of the following:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
9.125	75,000	5.0 years	$9.125	75,000	$9.125
9.30	70,000	10.0 years	9.30	–	9.30
10.00 - 11.375	224,541	3.6 years	10.06	220,941	10.04
12.25 - 12.70	267,000	9.0 years	12.65	50,000	12.69
13.00	93,000	7.0 years	13.00	55,800	13.00
13.25 - 13.40	160,000	9.2 years	13.30	–	13.30
20.00	42,000	7.9 years	20.00	16,800	20.00
	931,541			418,541	

December 31, 1999 and 1998 (columnar amounts in thousands of dollars)

9. STOCK-BASED COMPENSATION PLANS (continued)

Key Employee Share Trust

In 1993 the Company issued 253,271 common shares for $0.01 consideration to the Key Employee Share Trust (the "Trust"). The Trust issued options to acquire the shares owned by it for nominal consideration to certain directors, officers, and key employees of the Company and its affiliates on substantially the same terms and conditions as the options granted by the Company under the Stock Option Plan. Options to acquire three common shares from the Trust were issued for every seven options to buy common shares issued in May 1993.

A summary of the Key Employee Share Trust is as follows:

	1999	1998
Balance at beginning of year	93,918	130,343
Exercised	5,400	36,425
Balance at end of year	88,518	93,918

All options to acquire the shares held by the Trust have a purchase price of $0.01 and expire in May 2003. At December 31, 1999, all options on the Trust shares are exercisable.

10. PENSION PLANS

The Company and its subsidiaries maintain both defined benefit and defined contribution pension plans. At December 31, 1999 and 1998, respectively, the actuarial present value of accrued pension benefits was $21,730,000 and $19,119,000 and the market value of the assets available to provide for these benefits was $20,252,000 and $18,489,000.

11. COMMITMENTS

At December 31, 1999, the Company has commitments for major capital expenditures under purchase orders and contracts amounting to approximately $4,000,000.

Minimum lease payments under various operating lease commitments are as follows:

2000	$ 2,038
2001	1,813
2002	1,335
2003	1,049
2004	654
Thereafter	3,182
	$ 10,071

12. FINANCIAL INSTRUMENTS

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, accounts receivable and short-term obligations approximate their respective fair values because of the near-term maturity of those instruments. The estimated fair values of the notes receivable, long-term debt, forward currency exchange and interest rate swap contracts are based on public trading values where available, or where not available, with reference to values for similarly traded instruments with similar features.

The carrying value of the notes receivable at December 31, 1999 and 1998 was $0 and $5,992,000, with a comparable fair value of $0 and $6,852,000. The carrying amounts of long-term debt at December 31, 1999 and 1998 were $79,408,000 and $58,853,000 respectively, with comparable fair values of $78,902,000 and $60,518,000.

December 31, 1999 and 1998 (columnar amounts in thousands of dollars)

12. FINANCIAL INSTRUMENTS (continued)

CURRENCY RISK

In conducting its business, the Company uses forward currency exchange contracts to manage the risks arising from fluctuations in exchange rates. All such instruments are used for risk management purposes only and are not held for trading purposes. The use of these financial instruments is approved and monitored by the Company's Board of Directors.

At December 31, 1999, the Company had outstanding forward currency exchange contracts to sell U.S. $95,000,000 for Canadian dollars (1998 - U.S. $111,000,000), with expiration dates 2000 through 2003. Had these contracts been closed out at year end, the Company would have had a gain of $3,520,000 in 1999 (1998 a loss of $8,464,000). At December 31, 1998, the Company also had forward currency exchange contracts to sell German DM 4,500,000 for U.K. pounds (1999 - DM 0). Had these contracts been closed out at December 31, 1998, the Company would have received $12,000.

CREDIT RISK

The Company's exposure to credit risk, principally credit risk from customers, is equal to the carrying amounts of its financial assets. In 1999 and 1998, sales to the Company's largest customer amounted to $87,260,000 and $71,253,000, respectively. The Company is also exposed to credit related losses in the event of nonperformance by the counterparties to its forward currency exchange and interest rate swap contracts, but does not anticipate such nonperformance. The risk of significant credit loss is considered remote.

INTEREST RATE RISK

The Company' s exposure to interest rate risk relates to its floating rate long-term debt, which includes the variable interest term debt, the revolving credit facility, installment loan and the committed credit facility. The Company utilizes interest rate swaps to reduce risk associated with a portion of the variable interest term debt and, prior to July 1999, the variable interest rate underlying the installment loan. As at December 31, 1999 and 1998, the Company had $13,500,000 of interest rate swaps with a rate fixed at 9.33%. If the interest rate swap contracts had been closed out on December 31, 1999, the Company would have been required to make a payment of $346,000 (1998 - $945,000). At December 31, 1999, the increase or decrease in annual interest costs on the term variable rate debt not covered by interest rate swaps amounts to $457,000 (1998 - $294,000) for each one percent change in interest rates.

13. TRANSACTIONS WITH RELATED PARTIES

At December 31, 1999 and 1998, the Company's parent, The Stackpole Corporation, owned approximately 57% of the outstanding common shares of the Company. The Company purchased services from its parent amounting to $724,000 in 1999 and $674,000 in 1998. These transactions are in the normal course of business and are valued at a fair market price established by outside parties. The Company had a net balance due to its parent of $145,000 and $403,000 at December 31, 1999 and 1998, respectively.

14. SEGMENTED INFORMATION

The Company operates in the powertrain business, designing, manufacturing parts and assemblies primarily for the automotive manufacturers or their Tier 1 powertrain component manufacturers, and to a lesser extent the appliance and power tool industry. The determination of operating segments has been made on the same basis as management measures performance and makes decisions on the allocation of resources. The Company has five operating segments and, as they meet the aggregation criteria, the Company has only one reporting segment.

Certain information with respect to geographic segments follows:

	1999		
	Canada	United Kingdom	Total
Sales	$ 215,282	$ 17,661	$ 232,943
Loss before interest and taxes	(58)	(105)	(163)
Capital assets	145,456	13,520	158,976

December 31, 1999 and 1998 (columnar amounts in thousands of dollars)

14. SEGMENTED INFORMATION (continued)

	1998		
	Canada	United Kingdom	Total
Sales	$ 167,327	$ 15,564	$ 182,891
Income before interest and taxes	7,901	1,181	9,082
Capital assets	135,739	14,246	149,985

Intercompany sales between geographic segments are generally priced to recover cost plus an appropriate markup. Intercompany sales of $8,256,000 in 1999 and $9,651,000 in 1998 (principally from the United Kingdom to Canada) have been excluded from the above figures. Canadian sales include export sales of $169,098,000 and $125,304,000 in 1999 and 1998, respectively, all of which were to the United States. United Kingdom sales include export sales of $12,307,000 in 1999 and $10,538,000 in 1998.

Sales to the automotive industry were $227,113,000 in 1999 and $175,458,000 in 1998. For 1999, sales to the Company's four largest customers amounted to 37%, 17%, 16% and 13% of total sales (1998 - 38%, 15%, 14% and 12%).

15. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

SUMMARY OF QUARTERLY DATA (Unaudited)

(thousands of dollars except per share amounts)

	1999				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Sales	$ 51,066	$ 56,411	$ 63,600	$ 61,866	$ 232,943
(Loss) income before interest and taxes	(201)	2,925	3,519	(6,406)	(163)
Net (loss) income	(801)	995	1,313	(7,194)	(5,687)
(Loss) earnings per share	($0.08)	$ 0.10	$ 0.14	($0.75)	($0.59)
Common share trading range					
High	$ 15.00	$ 13.00	$ 15.00	$ 12.00	$ 15.00
Low	$ 10.00	$ 9.75	$ 11.15	$ 9.00	$ 9.00

	1998				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Sales	$ 44,124	$ 47,574	$ 37,008	$ 54,185	$ 182,891
Income (loss) before interest and taxes	4,778	5,266	(2,635)	1,673	$ 9,082
Net income (loss)	2,524	2,828	(2,192)	368	3,528
Earnings (loss) per share	$ 0.27	$ 0.30	($0.23)	$ 0.04	$ 0.37
Common share trading range					
High	$ 19.50	$ 23.75	$ 20.00	$ 15.70	$ 23.75
Low	$ 15.50	$ 19.50	$ 14.00	$ 11.25	$ 11.25

(thousands of dollars except per share amounts)

	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Operations Data										
Sales	$232,943	$182,891	$164,721	$138,590	$128,051	$106,819	$ 79,435	$ 52,935	$ 43,756	$ 41,012
R&D, gross	8,224	7,432	6,743	5,237	4,939	4,400	4,041	2,117	1,815	1,682
(Loss) income before interest and taxes	(163)	9,082	16,440	14,274	14,013	10,232	9,069	6,411	5,918	6,755
(Loss) income from continuing operations	(5,687)	3,528	8,766	7,502	8,003	6,101	5,689	3,853	3,886	4,705
(Loss) income from discontinued operations	–	–	–	–	–	–	–	–	4,993	837
Net (loss) income [1]	(5,687)	3,528	8,766	7,502	8,003	6,101	5,689	3,853	8,879	5,542
Capital expenditures	34,670	39,670	38,050	22,466	30,350	23,458	16,316	5,316	10,108	3,432
Cash flows from operating activities	24,615	23,421	22,227	16,436	12,736	11,747	10,218	4,108	2,943	2,942
Financial Position										
Working Capital	$ 18,011	$ 7,417	$ 12,523	$ 16,249	$ 18,450	$ 17,605	$ 26,872	$ 8,551	$ 6,340	$ 13,668
Property, plant and equipment, at cost	237,371	209,122	169,926	147,558	126,277	97,048	72,343	45,976	42,892	32,943
Total assets	223,864	210,530	178,877	160,912	139,823	112,876	96,904	55,081	53,395	55,127
Long-term debt	79,408	58,853	42,508	37,676	25,416	20,576	18,834	–	–	–
Shareholders' equity	101,040	108,774	102,784	92,934	82,489	65,249	57,596	41,787	37,934	43,087
Key Ratios										
R&D % of sales	3.5%	4.1%	4.1%	3.8%	3.9%	4.1%	5.1%	4.0%	4.1%	4.1%
Margin before interest, taxes restructuring and other charges	5.0%	5.0%	10.0%	10.3%	10.9%	9.6%	11.4%	12.1%	13.5%	16.5%
Net income (loss) % of sales [1]	(2.4)%	1.9%	5.3%	5.4%	6.2%	5.7%	7.2%	7.3%	20.3%	13.5%
Return on equity	(5.4)%	3.3%	9.0%	8.6%	10.8%	9.9%	11.4%	9.7%	21.9%	13.7%
Current ratio	1.42	1.18	1.44	1.59	1.77	1.90	2.90	2.14	1.65	3.19
Data per Share [2]										
(Loss) income from continuing operations [1]	($0.59)	$ 0.37	$ 0.93	$ 0.81	$ 0.95	$ 0.75	$ 0.78	$ 0.64	$ 0.65	$ 0.78
Net (loss) income [1]	(0.59)	0.37	0.93	0.81	0.95	0.75	0.78	0.64	1.48	0.92
Operating cash flows	2.57	2.47	2.36	1.77	1.51	1.43	1.40	0.68	0.49	0.49
Shareholders' equity	10.53	11.37	10.87	9.92	8.96	7.97	7.03	6.96	6.32	7.18

[1]In 1989, includes an after-tax gain of $1,840,000 from the sale of property.

[2]Per share amounts are calculated as if the share subdivision which occurred in 1993 actually took place at January 1, 1989.

BOARD OF DIRECTORS

Lyle G. Hall [2 3 4]
Chairman of the Board,
The Stackpole Corporation

Ralph W. Karthein [1 2 4]
Retired Finance Executive,
IBM Canada Limited

Robert J. Lander [2 3 4]
President and Chief Executive Officer
Stackpole Limited

Richard W. LeVan [1 2 3 4]
Chairman, Wescast Industries Ltd.

J. Samuel Parkhill [2 3 4]
Chairman of the Board, Stackpole Limited

David G. Vice [1 2 4]
Corporate Director

1 Member, Audit Committee and Corporate Governance Committee
2 Member, Compensation and Development Committee
3 Member, Executive Committee
4 Member, Nominating Committee

CORPORATE OFFICERS

CORPORATE

Jeremy C. Carvell
Corporate Controller

Robert J. Lander
President and Chief Executive Officer

Gary S. Love
Vice President, Finance, Chief Financial Officer, Secretary and Treasurer

Sharon I. Paras
Executive Assistant and Assistant Secretary

J. Samuel Parkhill
Chairman of the Board

RESEARCH & DEVELOPMENT AND SALES

Ronald J. Duke
Vice President, Sales

Gerd Hinzmann
Vice President, Manufacturing Systems

Peter K. Jones
Vice President, Technology

OPERATIONS

L. Douglas Asbridge
General Manager, Stratford Powder Metal Products Division

Eric R. Cozens
Vice President and General Manager,
Engineered Products Division

David C. Elliott
Division Manager,
Automotive Gear Division

James M. Stewart
Vice President and General Manager,
Pump Components Division

Bryan L. Williams
President and Managing Director,
FormFlo Limited

Stackpole Limited

Stackpole Limited was incorporated under the laws of the province of Ontario on November 10, 1952. Upon the completion of an initial public offering in May, 1993, Stackpole Limited became a publicly traded Company.

Listing of Capital Stock

The common shares of the Company are listed on The Toronto Stock Exchange under the stock symbol "SKD".

Transfer Agent and Registrar

The transfer agent and registrar for the common shares of the Company is Montreal Trust Company of Canada.

Auditors

The shareholders' auditors are Deloitte & Touche LLP, Toronto, Canada.

Financial Calendar 2000

Fiscal year end:	December 31
Interim Reports mailed:	Q1 – May
	Q2 – August
	Q3 – November

Annual Meeting of Shareholders

The annual meeting of shareholders will be held at 11:30 a.m., Wednesday, May 17, 2000 in the Main Dining Room of The Ontario Club, Commerce Court South, Toronto, Ontario, M5L 1A1.

Shareholder Account Information

Shareholders seeking assistance or information concerning their accounts may contact Montreal Trust as follows:

Telephone:	(416) 981-9500
Website:	www.montrealtrust.com
E-mail:	faq@montrealtrust.com

Annual Information Form

A copy of the Stackpole Limited Annual Information Form is available from the Secretary or Assistant Secretary of the Company upon request at:

2381 Bristol Circle
Suite B-203
Oakville, Ontario
L6H 5S9

Investor Information

Shareholders seeking assistance or information about the Company are invited to contact Gary S. Love, Vice President, Finance, Chief Financial Officer, Secretary and Treasurer, or Sharon Paras, Assistant Secretary, at:

2381 Bristol Circle
Suite B-203
Oakville, Ontario
L6H 5S9

E-mail

Secretary: glove@stackpole.on.ca
Assistant Secretary: sharonpa@stackpole.on.ca

CORPORATE OFFICE

Stackpole Limited
2381 Bristol Circle
Suite B-203
Oakville, Ontario L6H 5S9

Telephone	(905) 829-2050
Facsimile	(905) 829-0438

MANUFACTURING PLANTS

Canada

Pump Components Division
550 Evans Avenue
Toronto, Ontario M8W 2V6

Telephone	(416) 252-9411
Facsimile	(416) 252-9996

Automotive Gear Division
2430 Royal Windsor Drive
Mississauga, Ontario L5J 1K7

Telephone	(905) 822-6015
Facsimile	(905) 822-9556

Stratford Powder Metal Products Division
128 Monteith Avenue
P.O. Box 572
Stratford, Ontario N5A 6T7

Telephone	(519) 271-6060
Facsimile	(519) 271-7560

Engineered Products Division
2400 Royal Windsor Drive
Mississauga, Ontario L5J 1K7

Telephone	(905) 403-0550
Facsimile	(905) 403-0557

United Kingdom

FormFlo Limited
Unit 5 Lansdown Industrial Estate
Gloucester Road
Cheltenham, Gloucestershire
GL51 8PW

Telephone	(44) 1 242 531 100
Facsimile	(44) 1 242 221 002

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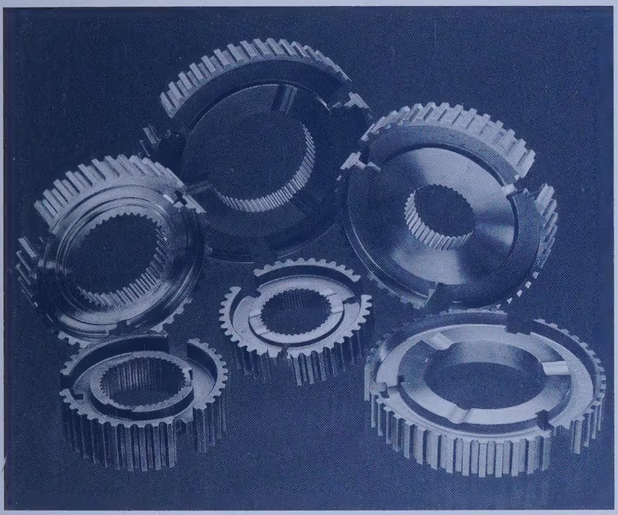
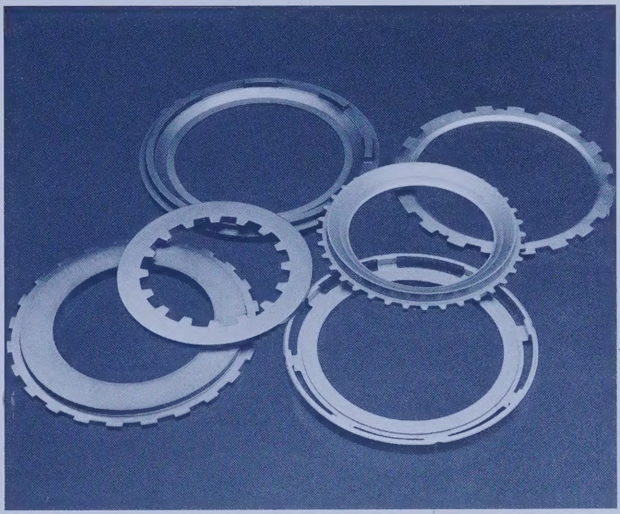
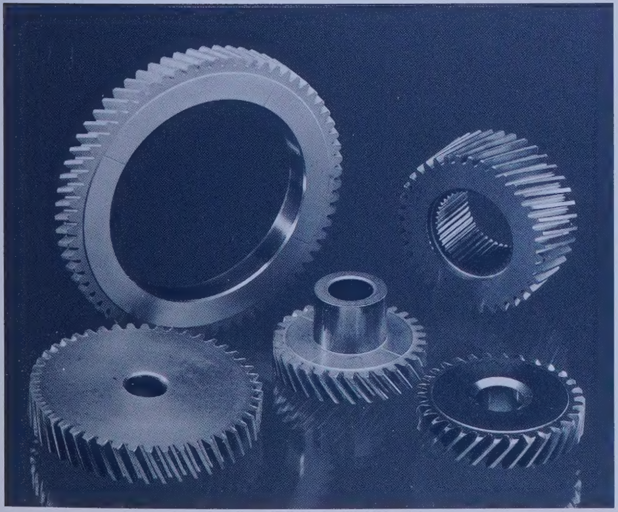
SYNCHRONIZER HUBS



CLUTCH PLATES



HELICAL GEARS



PUMP COMPONENTS